

***Retarded Citizens
Can Be Helped!***

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

Financial Report Year Ended June 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/24/10

T.S. KEARNS & CO.


(A Professional Corporation)
164 West Main Street, Thibodaux, LA 70301
South end of Canal Boulevard
(985) 447-8507 Fax (985) 447-4833
kearnscpa@kearnscpa.com

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

Independent Auditor's Report on Financial Statements

As of and for the years ended June 30, 2009 and June 30, 2008

TABLE OF CONTENTS

	Statement	Page
Independent Auditor's Report on the Financial Statements		2
Financial Section		
Financial Statements:		
Statement of Financial Position	A	3
Statement of Activities	B	4
Schedule of Functional Expenses	C	5
Statement of Cash Flows	D	6
Notes to the Financial Statements		7
Reports by Management		
Summary Schedule of Prior Audit Findings		14
Schedule of Current Year Findings and Responses		15
Special Reports of Certified Public Accountants		
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Governmental Auditing Standards</i>		19
Management Letter		21



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
St. John Association for Retarded Citizens, Inc.
LaPlace, Louisiana

We have audited the accompanying statement of financial position of the St. John Association for Retarded Citizens, Inc. (a nonprofit corporation), as of June 30, 2009 and 2008, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. John Association for Retarded Citizens as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of the St. John Association for Retarded Citizen's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

A handwritten signature in dark ink, appearing to read "T.S. Kearns & Co.", written over a horizontal line.

Thibodaux, Louisiana
November 30, 2009

Financial Section

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS
LaPlace, Louisiana
Statement of Financial Position
June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,452,339	\$ 1,278,477
Contract Receivables	57,455	54,340
Ad Valorem Tax Receivable	73,892	68,916
Other Receivables	42,305	-
TOTAL CURRENT ASSETS	\$ 1,625,990	\$ 1,401,733
PROPERTY AND EQUIPMENT:		
Nondepreciable assets:		
Land	\$ 50,412	\$ 50,412
Depreciable assets:		
Land Improvements	39,449	39,449
Building & Improvements	112,966	102,525
Equipment, Furniture & Fixtures	107,275	97,078
Vehicles	188,675	188,675
Accumulated Depreciation	(246,947)	(200,309)
TOTAL PROPERTY & EQUIPMENT	\$ 251,829	\$ 277,830
TOTAL ASSETS	<u>\$ 1,877,819</u>	<u>\$ 1,679,563</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,949	\$ 11,499
Accrued payroll and payroll payables	14,842	9,016
Short term portion of long term obligations	2,212	2,063
TOTAL CURRENT LIABILITIES	\$ 22,003	\$ 22,577
LONG TERM LIABILITIES:		
Capital lease obligation	\$ 4,262	\$ 6,473
TOTAL LONG TERM LIABILITIES	\$ 4,262	\$ 6,473
NET ASSETS:		
Unrestricted		
Undesignated	\$ 1,606,198	\$ 1,372,682
Board Designated	-	-
Fixed Assets	245,356	277,830
TOTAL NET ASSETS	\$ 1,851,554	\$ 1,650,512
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,877,819</u>	<u>\$ 1,679,563</u>

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS**LaPlace, Louisiana****Statement of Activities****Years Ended June 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT:		
Contract Revenues - Department of Health and Hospitals	\$ 10,472	\$ 12,376
Contract Revenues - DHH - Medicaid	874,227	917,636
Contract Revenues - Betr-Care	37,675	40,238
Contract Revenues - Res-Care	38,305	40,040
Ad Valorem Tax	267,277	278,973
Client Contracts	35,194	36,134
Indirect Public Support	4,547	7,802
Contributed Facilities	42,000	42,000
Client Lunches	14,437	13,630
LA DOTD Capital Assistance Grant	-	75,058
Membership Dues	895	595
Other	10,374	3,100
Gain on sale of assets	-	2,500
Interest Earnings	<u>9,058</u>	<u>11,796</u>
TOTAL UNRESTRICTED NET ASSETS	\$ 1,344,462	\$ 1,481,878
EXPENSES:		
Program Services		
Adult Habilitation Program	\$ 572,358	\$ 529,885
Personal Care Attendant Service Program	480,995	507,765
Supporting Services		
Management and General	<u>90,067</u>	<u>108,888</u>
TOTAL EXPENSES	\$ 1,143,420	\$ 1,146,538
INCREASE (DECREASE) IN NET ASSETS	\$ 201,042	\$ 335,340
NET ASSETS AT BEGINNING OF YEAR	<u>1,650,512</u>	<u>1,315,171</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 1,851,554</u></u>	<u><u>\$ 1,650,512</u></u>

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS

LaPlace, Louisiana

Schedule of Functional Expenses**Years Ended June 30, 2009 and 2008**

	2009					2008				
	PROGRAM SERVICES	PROGRAM SERVICES	SUPPORTING SERVICES	TOTALS		PROGRAM SERVICES	PROGRAM SERVICES	SUPPORTING SERVICES	TOTALS	
	Adult Habitat Program	Personal Care Attendant Service	Management and General			Adult Habitat Program	Personal Care Attendant Service	Management and General		
Compensation and Related Expenses										
Compensation:										
Staff	\$ 279,460	\$ 395,486	\$ 25,406	\$ 700,353		\$ 267,396	\$ 424,423	\$ 40,926	\$ 732,745	
Clients	23,998			23,998		23,711			23,711	
Employee Benefits - health Insurance	32,054			32,054		31,233	470		31,703	
Payroll taxes	22,052	35,740	1,944	59,736		17,840	38,991	3,131	59,961	
Worker's compensation Insurance	12,037	18,055		30,092		7,598	11,399		18,997	
Conference and Training	372	1,306	945	2,622		620	2,397	650	3,666	
Client Lunches	28,111			28,111		23,491			23,491	
Depreciation	46,638			46,638		30,597			30,597	
Dues	125			125						
Insurance	163	128	1,696	1,949		163	183	1,982	2,165	
Licenses & fees			34,818	34,981				33,242	33,405	
Medicaid billing software & support	600	1,219	1,164	2,383					-	
Occupancy:		1,600		2,200			2,400		2,400	
Utilities	15,165	433		15,598		14,564	416		14,980	
Maintenance			16,216	16,216				26,404	26,404	
Rent	40,833	1,167		42,000		40,833	1,167		42,000	
Professional Services	10,960	6,263		17,223		10,102	4,821		14,923	
Supplies:										
Operating	6,496	354		6,850		8,714	1,055		9,769	
Office	4,927	8,635		13,562		4,927	8,635		13,562	
Telephone	3,244	4,862		8,106		2,965	4,862		7,827	
Transportation expense	41,295			41,295		41,582			41,582	
Travel and meals	1,319	2,653		3,973		1,010	2,146	264	3,420	
Interest expense	532			532		671			671	
Other	1,975	3,093	7,879	12,947		1,867	4,402	2,289	8,558	
TOTAL EXPENSES	\$ 572,358	\$ 480,995	\$ 90,067	\$ 1,143,420		\$ 529,885	\$ 507,765	\$ 108,888	\$ 1,146,538	

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS
LaPlace, Louisiana
Statement of Cash Flows
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) In Net Assets	\$ 201,042	\$ 335,340
Adjustments To Reconcile Increase In Net Assets		
To Cash Provided By Operating Activities:		
Operating Activities:		
Depreciation	46,638	30,597
(Increase) Decrease in Operating Assets		
and Other Receivables	(50,396)	(14,694)
Increase (Decrease) In Operating Liabilities		
Accounts Payable and Accrued Liabilities	<u>(574)</u>	<u>3,475</u>
 NET CASH PROVIDED (USED)		
BY OPERATING ACTIVITIES	 \$ 196,711	 \$ 354,719
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on the sale of assets	-	2,500
Purchase of Property and Equipment	<u>(20,788)</u>	<u>(96,323)</u>
 NET CASH PROVIDED (USED)		
BY INVESTING ACTIVITIES	 <u>\$ (20,788)</u>	 <u>\$ (93,823)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments toward capital lease obligation	<u>(2,062)</u>	<u>(2,063)</u>
 NET CASH PROVIDED (USED)		
BY FINANCING ACTIVITIES	 <u>(2,062)</u>	 <u>(2,063)</u>
 NET INCREASE (DECREASE) IN CASH	 <u>\$ 173,861</u>	 <u>\$ 258,833</u>
 CASH AT BEGINNING OF YEAR	 <u>\$ 1,278,478</u>	 <u>\$ 1,019,645</u>
CASH AT END OF YEAR	<u><u>\$ 1,452,339</u></u>	<u><u>\$ 1,278,478</u></u>

The accompanying notes are an integral part of these financial statements.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

INTRODUCTION

The St. John Association For Retarded Citizens (ARC) is a nonprofit corporation founded for the purpose of helping citizens with mental retardation and developmental disabilities. The ARC operates a Day Developmental Work/Training Center and a Individual Family Support Services program. The day developmental work-training center trains the mentally and physically handicapped citizens of the parish who are 21 years of age and older. The areas of training are geared toward helping the individuals adjust to society. The Organization also provides free transportation for all activities including daily instruction classes. The individual family support service provides twenty-four hour a day in-home care by trained workers and is available for mentally handicapped citizens of all ages and the elderly.

NOTE I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described to enhance the usefulness of the financial statements to the reader. The financial statements of St. John Association For Retarded Citizens (a nonprofit corporation) have been prepared on the accrual basis; therefore, certain revenues and the related assets are recognized when earned rather than when received and certain expenses are recognized when the obligation is incurred rather than when paid. These policies have been consistently applied in the preparation of the financial statements. The corporation has no capital stock.

A. BASIS OF PRESENTATION

The financial statements are presented in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit organizations, which requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets as of June 30, 2009 or 2008. In addition, the Organization is required to present a statement of cash flows.

B. PROPERTY AND EQUIPMENT

Capital assets purchased or acquired with an original cost of \$500 or more and with an initial useful life that extends beyond one year are capitalized. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.

LaPlace, Louisiana

Notes to the Financial Statements

For the Years Ended June 30, 2009 and 2008

Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings & improvements	10-39 years
Land improvements	15 years
Equipment, furniture & fixtures	5-20 years
Vehicles	5 years

No salvage value is recorded. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

C. CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

D. CONTRACTS RECEIVABLE

Management believes that all contracts receivable at year-end are fully collectible; therefore, no allowance for doubtful accounts is recorded.

E. CASH AND EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2009 or 2008.

F. FUNCTIONAL EXPENSES

Expenses are charged directly to program or management in general categories based on specific identification. Indirect expenses have been allocated based on various criteria.

G. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE II CASH AND CASH EQUIVALENTS

At June 30, 2009 and 2008, the Organization had cash and cash equivalents (collected bank balances) totaling \$1,511,560 and \$1,296,358, respectively. These deposits are stated at cost, which approximates market. At June 30, 2009, \$1,187,324 in deposits were secured by FDIC and additional pledged securities owned by the fiscal agent bank. The remaining \$324,235 in deposits were unsecured.

NOTE III CONTRIBUTED SERVICES

The Organization receives donated services from a variety of unpaid volunteers during the year. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

NOTE IV CONTRIBUTED FACILITIES

The Organization occupies a parish government owned building located at 101 Bamboo Street, Laplace, Louisiana under an agreement with the St. John the Baptist Parish Council at no charge. The Organization pays all maintenance, insurance, and improvements. The approximate fair value of the annual rental for the years ended June 30, 2009 and 2008 is \$42,000.

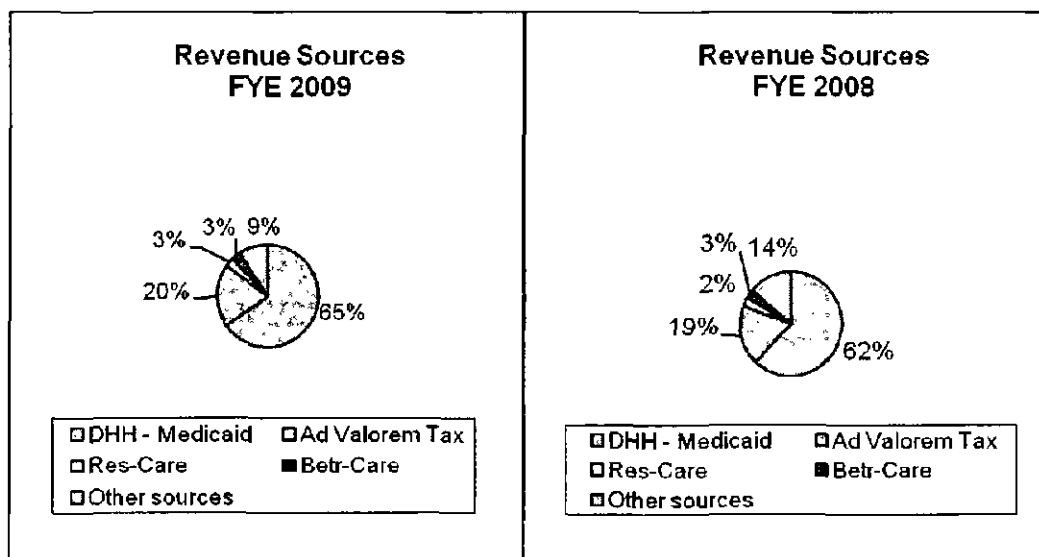
ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE V CONTRACT REVENUES

The Organization also entered into a contract with Betr-Care, Inc. and Res-care, Inc. (residential providers) to provide day training at \$30.00 and \$28.00 per client day, respectfully. The contract with Betr-Care, Inc. was for the period June 30, 2000 and will last indefinitely, or until either party decides to terminate by giving written notice of thirty (30) calendar days. The training provided is explained in the preceding paragraph. The contract with Res-Care, Inc. was effective January 1, 1993, and will last indefinitely, or until either party decides to terminate by giving written notice of thirty (30) calendar days. The training provided is explained in the preceding paragraph.

The Organization also receives revenues for providing training and daycare to Medicaid clients.

The following graphs provide a breakdown of the sources of revenues earned in fiscal years ended June 30, 2009, and 2008.



NOTE VI CONTRACT RECEIVABLES

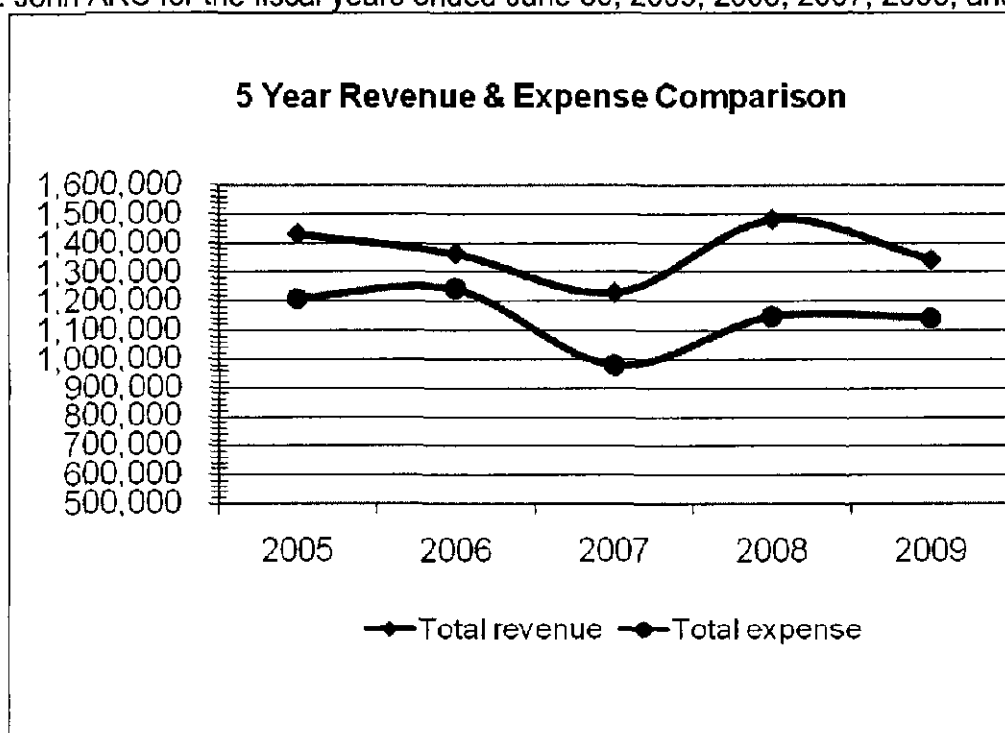
Contract receivables consist of services provided but not yet paid as of June 30, 2009. Contract receivables are made up of the following:

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

	2009	2008
State of Louisiana (OCDD & Medicaid)	\$ 40,427	\$ 41,937
Betr-Care, Inc.	12,626	3,510
Res-Care, Inc.	3,500	7,028
Client Contract	<u>902</u>	<u>1,865</u>
	<u>\$ 57,455</u>	<u>\$ 54,340</u>

NOTE VII COMPARISON OF REVENUE AND EXPENSES

The following graph shows a five-year comparison of total revenue and total expenses for St. John ARC for the fiscal years ended June 30, 2009, 2008, 2007, 2006, and 2005.



NOTE VIII FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS

The St. John ARC extends a substantial amount of credit to several non-profit and state agencies such as the Louisiana Department of Health and Hospitals. The ARC has determined that the financial standing and reputation of these organizations reduces the risk of non-payment to very low.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE IX INCOME TAX STATUS

St. John Association For Retarded Citizens is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

NOTE X CONCENTRATIONS

The Organization depends on the State of Louisiana, Department of Health and Hospitals for approximately 66% of its revenues for operation.

If significant budget cuts are made at the state level, the amount of funds the Organization receives would be significantly reduced and have an adverse affect on operations. Management is not aware of any events that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

NOTE XI PROPOSITION I

Proposition I was passed by the citizens of St. John the Baptist Parish on April 3, 1993. Proposition I allows the Parish to incur debt and issue bonds to the amount of Five Hundred Thousand Dollars (\$500,000) to run fifteen (15) years from the date thereof, with interest at a rate not exceeding nine per centum (9%) per annum, for the purpose of acquiring, constructing, improving and renovating public buildings to house a work training center for mentally retarded and developmentally disabled persons, title to which shall be in the public. The bonds will be general obligations of the Parish and payable from ad valorem taxes to be levied and collected in the manner provided by Article VI, Section 33 of the Constitution of the state of Louisiana of 1974, and statutory authority supplemental thereto. St. John Association For Retarded Citizens occupied the public building in January 1995.

NOTE XII PROPOSITION II

Proposition II was passed by the citizens of St. John the Baptist Parish on April 3, 1993. Proposition II allows St. John the Baptist Parish to levy a one-half (1/2) mill tax on all the property subject to taxation within said Parish for a period of ten (10) years beginning with the year 1993 and ending with year 2002. In 2002, Proposition II was renewed and will levy a one (1) mill tax on all the property subject to taxation within St. John the Baptist Parish for a period of ten (10) years beginning with the year 2003 and ending with year 2012, for the purpose of maintaining and operating public building used to house mentally retarded persons (including payment of salaries and costs of conducting training programs for the mentally retarded and developmentally disabled citizens).

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Notes to the Financial Statements
For the Years Ended June 30, 2009 and 2008

NOTE XIII RISK MANAGEMENT

The Organization is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; and employee accident and health benefits. Commercial insurance coverage is purchased for claims arising from such matters. There were no settled claims that exceeded this commercial coverage during the year ended June 30, 2009.

NOTE XIV MEDICAL INSURANCE

The ARC offers medical insurance coverage to all eligible employees who work a minimum of 30 hours a week. An employee is required to pay 30% of the total premium. Should an employee request dependency coverage, the ARC will pay for 50% for one dependent or spouse. Employee eligibility for medical insurance coverage begins on the date of hire and runs concurrently with the 90 day probationary period.

NOTE XV COMPENSATED ABSENCES

All salaried employees can accrue leave time of one day for each operational month. These days are to cover any personal leave. Leave must be taken by June 30th of that fiscal year or leave is lost. There is no material accumulated leave at June 30, 2009 and 2008 and accordingly, the financial statements do not include a provision for compensated absences.

NOTE XVI LITIGATION AND CLAIMS

At June 30, 2009 and 2008, the St. John Association for Retarded Citizens, Inc. had no litigation or claims pending.

Reports by Management

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2009

Section I – Internal Control Issues

There were no findings reported.

Section II – Compliance Issues

There were no findings reported.

Section II – Management Letter

A management letter was not issued.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Schedule of Current Year Findings and Responses
For the Year Ended June 30, 2009

Section I – Internal Control Issues

Audit Finding No. 09-01 – Lack of Segregation of Duties

Internal Control Material Weakness. The size of the St. John Association for Retarded Citizens, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Audit Finding No. 09-02 – Check Writing and Signing Policies

Internal Control Material Weakness. During the course of the audit, it was discovered that a check sent to the State for an employee garnishment was erroneously written for \$3,731. The documentation attached to the check showed that the amount to be remitted was \$134.51. This error would have been caught immediately had the policies in place for review of checks, by the writer or either of the two required signors, been performed. However, this policy had not been followed and the check was signed and mailed without question. This caused a large overpayment of the employee's debt with the State, which the state refunded the difference. The refunded check was issued to the employee without much questioning, resulting in a net overpayment, by the ARC, of \$3,596.49.

Audit Finding No. 09-03 - Error in Posting Receipts on Accounts Receivable

Internal Control Significant Deficiency. A customer paid a \$3,500 invoice two times. Although the receipt was recorded as income in the general ledger, because accounts receivable ledgers are not used, this overpayment went undetected. The issue was discovered during the audit, and the ARC issued a credit memo to the customer.

Audit Finding No. 09-04 – Employee Falsifying Timesheets

Internal Control Significant Deficiency. An employee falsified timesheets over a period of months to increase the number of hours worked at the home of a Medicaid client. All timesheets were approved in accordance with policy. The St. John ARC, unknowingly, billed Medicaid for this time resulting in an overbilling of Medicaid. The dollar amount in question is not known at this time, but is estimated to be approximately \$1,015.

ST. JOHN ASSOCIATION FOR RETARDED CITIZENS, INC.
LaPlace, Louisiana
Schedule of Current Year Findings and Responses
For the Year Ended June 30, 2009

Section II Compliance Issues

Audit Finding No. 09-05 – Bonus Checks Issued Outside of Payroll

The board of directors approved each employee to receive a \$300 bonus to help pay for expenses associated with Hurricane Gustav. However, the checks were written to the employees as a \$300 check with no payroll taxes deducted. The \$300 was not included on the employees 2008 W2s.

Section III – Management Letter

A management letter has been issued. See page 21.



St. John Association For Retarded Citizens

St. John A.R.C. WORK/TRAINING CENTER

101 Bamboo Road • LaPlace, Louisiana 70068 • (985) 652-8003 • Fax (985) 652-2536

November 17, 2009

Mr. Steve Theriot, CPA
Louisiana Legislative Auditor
P O Box 94397
Baton Rouge LA 70804-9397

RE: Management's response to audit findings

Dear Mr. Theriot:

We have recently had our annual audit completed and would like to respond to the following audit findings:

Audit Finding No. 09-01 - Lack of Segregation Duties

Management is aware of this issue and is presently implementing procedures that include review and approval of many transactions by the Board Treasurer and other members of management.

Audit Finding No. 09-02 - Check Writing and Signing Policies

The Board has communicated a reminder to all authorized to write and sign checks that the policies in place regarding this function be carried out. Additionally, the Board Treasurer will review checks written monthly when the bank reconciliation is performed.

Audit Finding No. 09-03 - Error in Posting Receipts on Accounts Receivable

The computerized accounting software will be set up to record and maintain accounts receivable ledgers. This will insure that any discrepancies will be detected timely.

Audit Finding No. 09-04 - Employee Falsifying Timesheets

In this case, the policies in place over the control of timesheet submission were followed. All required signatures were obtained. It is the IFS Director's belief that the timesheets were falsified in collusion with the client, rendering the controls ineffective. Management is presently discussing ways to strengthen controls over this area.

November 17, 2009

Audit Finding No. 09-05 9 Bonus Checks Issued Outside of Payroll

Management was unaware of the requirement to issue all gifts, bonuses, etc. as payroll checks with the necessary taxes withheld. All future gifts or bonuses will be made as a payroll check and reported in compliance with IRS code.

Sincerely,



Clarence Triche
Board President

**Special Reports of
Certified Public Accountants**



REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
St. John Association for Retarded Citizens, Inc.
LaPlace, Louisiana

We have audited the financial statements of the St. John Association for Retarded Citizens, Inc. (a nonprofit corporation), as of and for the years ended June 30, 2009 and 2008, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered St. John Association for Retarded Citizens' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of current year findings and responses to be significant deficiencies in internal control over financial reporting. See Nos. 09-01, 09-02, 09-03, 09-04 on page 15.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. We consider the deficiencies described in the accompanying schedule of current year findings and responses to be material weaknesses in internal control over financial reporting. See Nos. 09-01 and 09-02 on page 15.

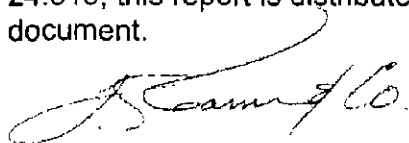
Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. John Association for Retarded Citizens' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings and responses as item 09-05 on page 16.

We noted certain matters that we reported to management of the St. John Association for Retarded Citizens, Inc. in a separate letter dated November 30, 2009.

The St. John Association for Retarded Citizens' response to the findings identified in our audit is described in the accompanying schedule of current year findings and responses. We did not audit the St. John Association for Retarded Citizens response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



November 30, 2009



Management Letter

**To the Management and
The Board of Directors of
St. John Association for Retarded Citizens**

In planning and performing our audit of the financial statements of St. John Association for Retarded Citizens (the ARC) for the year ended June 30, 2009, we considered the ARC's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are an opportunity for strengthening internal controls and operating efficiency. (We previously reported on the ARC's internal control in our report dated November 30, 2009). This letter does not affect our report dated November 30, 2009, on the financial statements of the St. John Association for Retarded Citizens.

We will review the status of this comment during our next audit engagement. We have already discussed this suggestion with ARC management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Improve Financial Records

We believe that, at present, the ARC could substantially improve the maintenance of its financial records. Certain receipts and disbursements are recorded manually and then keyed into a computerized accounting program. However, there is a possibility that these transactions can go unrecorded in the general ledger. The dual manual and computerized accounting is also inefficient in that it is a duplication of efforts in many areas. We suggest that management fully utilizes their accounting program, reducing chance for errors and omissions.

Adopt a Formal Policy Concerning Property Disposals

The Company has not established any formal policies concerning the disposal of property and equipment in accordance with applicable guidelines. To ensure that all property disposals are consistent with ARC policy, we recommend that formal policies be adopted.

Adopt a Formal Policy on Employee Advances

It was noted that during the year one employee received an advance of payroll. Due to the disallowance of certain classes of employees to receive advances, it is recommended that the board adopt a policy of not allowing employee advances for any employee.

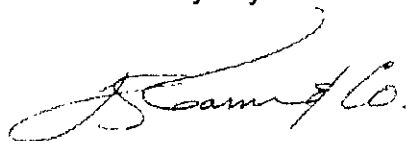
Adopt a Formal Policy on the Change of Payroll Deductions

During the audit, we noted instances where payroll deductions for federal and state income taxes did not equal the information on the employee's form W-4. This is due to employee changes made orally rather than submitting a revised form W-4. We suggest that the ARC require revised forms to be submitted before changing withholding and that the forms be reviewed at least periodically to provide a proper basis for deductions in payroll preparation.

In reviewing the above items with management, they agree with the suggestions presented here and will work towards implementing these recommendations.

We wish to thank the Board, Director, and other employees of the St. John ARC for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



November 30, 2009